

MINUTES of the GSF Commitments Committee Meeting
23 December 2002

Attendees:

Committee Members: Chris Ryan (Chairman), David Bawden (CRC), Annette Spencer (Committee Counsel), Carel van Randwyck (minutes)

Deal Team and others: Mike Leder (IBD), Rod O'Neill (IBD), Scott Wollard (IBD), CJ Corradino (Loan Syndicate), Gary Riddell (CRC), Andreas Wyler (CRC), Renata Jacobsen (LPRM).

TRANSACTION: Healthcare Capital Investors SPV

Approval is sought from the GSFCC for UBSW to extend the current 12-month, \$82.5 million loan to First Cambridge HCI Acq. LLC by four business days from 26 December 2002 to 2 January 2003, in the context of an overall desire by the company to obtain a 90-day extension for the loan.

First Cambridge HCI Acq. LLC is a special purpose entity created by Healthcare Capital Investors (HCI), a real estate investment trust and a division of Cambridge Holdings Inc., a subsidiary of Healthsouth.

The loan was used to enable the SPV to acquire property assets from Healthsouth. However, this loan was not secured by Healthsouth by a mortgage over the properties. The company is currently looking for a 90-day extension for the loan, thereby obtaining sufficient time to obtain security over these assets.

The current facility includes a Keepwell Agreement, in the form of a side letter, guaranteeing this loan to UBSW. The company's auditors did not disclose this guarantee in the company's last reported audited financial statements.

Healthsouth has received an LOI for the purchase of these properties. However, the company is seeking security over these assets in the event the sale does not proceed.

The company is being closely scrutinised, amid accusations that it failed to disclose the potential financial impact on the business from proposed regulatory changes.

Company Name HEALTHSOUTH
Contact X Units Protocol Fin
Legal Price: Re: RXM#
Portfolio HEALTH Country (LA)
Initials AW Date 01.03.2003

DECISION: Approved (initially Deferred)

The Committee deferred the request subject to:

- Opinion from Compliance on the proposed transaction
- Ratification from senior management

CRC agreed with the four-day extension and expressed concerns with the fact that the loan guarantee had not been reported and the associated potential reputational risk to UBSW.

The Deal Team were invited to obtain BRG approval for the proposed transaction.

In the event that this loan is extended beyond 2 January, we will require cash from the company as collateral for the loan.

The Chairman queried if the company had considered issuing an L/C in lieu of cash collateral for the loan – according to the Deal Team, they had not. Legal did not support making this suggestion to the client.

Following discussions and e-mail exchanges between the client's in-house counsel, Legal, CRC, the Healthsouth Client Relationship Director, the Deal Team and the GSFCC Chairman, the latter obtained comfort that:

- Should the company provide cash collateral for the loan, this would be reported as a footnote in the company's 10K filing
- The extension is only to obtain additional time to arrange security interests over the First Cambridge property which would be necessary for any further extension of the HRC guarantee and the UBS loan, and
- That HRC has been trying to show a consistent debt reduction to their credit facility lenders, consistent with their bank deal covenants and that HRC considers a posting of the cash collateral in conjunction with an arrangement for the granting of security interests in the property is the debt reduction picture HRC wants to present to its lenders.

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